

**WASHINGTON STATE INVESTMENT BOARD
Private Markets Committee Meeting Minutes
September 6, 2012**

The Private Markets Committee met in open public session at 9:00 a.m. in the boardroom at the Washington State Investment Board in Olympia, Washington.

Members Present: George Masten, Chair
Steve Hill (teleconferenced)
Treasurer Jim McIntire (teleconferenced)
Richard Muhlebach
David Nierenberg
Representative Sharon Tomiko Santos

Members Absent: Patrick McElligott
Jeff Seely

Other Board Members
Present:

Judi Owens
Michael Ragan

Others Present:

Theresa Whitmarsh, Executive Director
Gary Bruebaker, Chief Investment Officer
Steve Draper, Senior Investment Officer – Real Estate
Tom Ruggels, Senior Investment Officer – Private Equity
Diana Will, Senior Investment Officer – Tangible Assets
John Graves, Assistant Senior Investment Officer – Tangible Assets
Paul Silver, Assistant Senior Investment Officer – Tangible Assets
Carmen Matsumoto, Investment Officer – Private Equity
Mo Mooers, Investment Officer – Private Equity
Linda Buchanan, Administrative Assistant

Steve Dietrich, Assistant Attorney General
Steve Gruber, Real Asset Portfolio Management
Michael Humphrey, Courtland Partners
Dan Moore, Courtland Partners
Jay Morgan, Courtland Partners
Michael Augustine, Hamilton Lane
Tara Blackburn, Hamilton Lane
Adebayo Ogunlesi, Global Infrastructure Partners
William Woodburn, Global Infrastructure Partners
Michael Dorrell, Stonepeak Infrastructure Partners
Peter Horoszko, Stonepeak Infrastructure Partners
Trent Vichie, Stonepeak Infrastructure Partners
Jim Davidson, Silver Lake Partners
Egon Durban, Silver Lake Partners
Neal Aronson, Roark Capital Partners
Martin Huth, Triton Partners

Peder Prah, Triton Partners,
Mark Weston, Triton Partners
Garret House, Evergreen Investment Advisors
Don Suter, M3 Capital Partners

[Names of other individuals attending the meeting are listed in the permanent record.]

The meeting convened at 9:00 a.m. with Chair Masten identifying members present.

ADOPTION OF THE JUNE 7, 2012, MINUTES

Mr. Hill moved to adopt the minutes of June 7, 2012. Mr. Masten seconded, and the motion carried unanimously.

TANGIBLE ASSETS MARKET INFORMATION

Ms. Will introduced herself and explained that information was provided to help familiarize the Board with the new framework for Tangible Assets and the consultants in the Tangible Asset pool. She discussed infrastructure areas and the focus of interest for the WSIB.

The Committee discussed potential transactions for the year.

TANGIBLE ASSETS INVESTMENT RECOMMENDATION – GLOBAL INFRASTRUCTURE PARTNERS II, L.P.

Mr. Graves introduced himself and said that staff recommends an investment of up to \$250 million in Global Infrastructure Partners II, L.P., an \$8.25 billion fund that will invest in large-scale infrastructure assets in developed markets. The fund will target opportunities in midstream energy and transportation assets in North America, Europe, and Australia.

Mr. Graves described the firm's performance to date, investment strategy and focus, strong governance rights, strict underwriting discipline on valuation, currency exposure, modest leverage use, operational focus, investment team with deep sector expertise, investment process, depth and knowledge of the operational and risk teams, expert advisory committee, and fit in the WSIB tangible assets portfolio. He discussed the fund size, complex operations with multiple stakeholders, unrealized track record, evolving roles of Credit Suisse and General Electric, and fund terms.

[Representative Santos was in attendance at 9:13 a.m.]

The Committee discussed operational efficiency changes and processes.

Mr. Gruber, Real Asset Portfolio Management, introduced himself and stated that Global Infrastructure is a skilled investor and qualified fund manager. The fund will be the largest infrastructure fund in the market with limited competitors, a competitive advantage, and an active stable of co-investors, which eliminates concentration risk.

The Committee discussed the limits of co-investment opportunities and the size of the recommended investment.

Mr. Ogunlesi and Mr. Woodburn, Global Infrastructure Partners, introduced themselves. Mr. Ogunlesi discussed the firm's history, global offices, size and quality of the investment team, investment disciplines, and narrow investment focus in three sectors: energy, transport, and water and waste. He described the firm's proprietary deal flow, substantial opportunities, businesses with substantial scope for driving operational improvements, investment approach, management of investments, value creation, investment pricing discipline, approach to leverage, and performance history.

Mr. Woodburn elaborated on the experienced operating team.

Mr. Ogunlesi described the firm's senior advisors; expertise in specific sectors; portfolio of high quality, lower risk assets; strong market positions; strong potential for growth and operational improvement; inflation and downside protection; and proprietary origination.

Mr. Woodburn described methods used to drive improvements in operations, customer service, efficiency, growth, and cash management. He discussed inflation and downside protection methods.

Mr. Ogunlesi described specific portfolio companies, investment sectors, the current standing of Fund II, and geographical diversification. He stated that this is an attractive asset class and discussed the current market environment and investment opportunities.

Discussion ensued regarding how the firm maintains a common culture across international offices, due diligence processes, exit scenarios and timeframes for exits, mitigation of sovereign risk, critical lessons learned, gender diversification, infrastructure opportunities in the U.S., the recommended size of the investment, and well thought out strategy.

Mr. Hill moved that the Private Markets Committee recommend to the Board an investment of up to \$250 million, plus fees and expenses, in Global Infrastructure Partners II, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Treasurer McIntire seconded, and the motion carried unanimously.

[The Committee recessed at 10:37 a.m. and reconvened at 10:49 a.m.]

TANGIBLE ASSETS INVESTMENT RECOMMENDATION – STONEPEAK INFRASTRUCTURE FUND, L.P.

Mr. Silver introduced himself and stated that staff recommends an investment of up to \$250 million in Stonepeak Infrastructure Fund, L.P., a new North American, middle-market infrastructure fund with a target size of \$1 billion in commitments. Although the firm is new, staff has known the founders since 2008 when they were at Blackstone. Mr. Silver discussed safeguards that have been in place, as well as the excellent fit in the Tangibles Assets framework, that brings great comfort in investing in a new fund. The fund will invest in the energy and society essentials

industry sectors and will target midstream energy infrastructure, renewable power, water, electric utilities, and transportation.

Mr. Silver described the firm's experienced investment and operational focus, average investment size, investment professionals, value creation strategy, 100-day plans, attractive terms, and proprietary investment sourcing. He discussed current market conditions and opportunities, team growth, unrealized track record, capital resources, and advantages of the relationship with TIAA-CREF. Mr. Silver discussed risks and safeguards put in place to ensure protection for the WSIB.

Discussion ensued regarding the TIAA-CREF relationship, experience with prior groups, and relationships between the WSIB and other public funds.

Mr. Humphrey and Mr. Moore, Courtland Partners, introduced themselves. Mr. Moore discussed the managers' track record, economics of the funds, and opportunities in the market place. He explained that because the sector is young, most opportunities for the WSIB will be first time or very young funds. Mr. Moore elaborated on the performance of the partners in previous funds on transactions that are relative to this recommendation. He opined that the economics of this deal are very attractive and discussed the terms and fees, preferential returns, and co-investment opportunities.

Mr. Dorrell, Mr. Vichie, and Mr. Horoszko, Stonepeak Infrastructure Partners, introduced themselves and discussed their backgrounds.

Mr. Dorrell described the firm's history, relationship with TIAA-CREF, and investment strategy.

Mr. Vichie discussed the firm's investment sectors, competition, operational improvement processes, targeted returns, and inflation protection.

Discussion ensued regarding exit strategies and the WSIB's potential and legal relationship with TIAA-CREF.

Mr. Bruebaker noted that it is rare for staff to recommend a first time fund and that staff fully supports this investment with recognition of the associated risks.

Representative Santos moved that the Private Markets Committee recommend to the Board an investment of up to \$250 million, plus fees and expenses, in Stonepeak Infrastructure Fund L.P., subject to continuing due diligence and final negotiation of terms and conditions. Mr. Hill seconded, and the motion carried with Mr. Masten voting no.

PRIVATE EQUITY INVESTMENT RECOMMENDATION – SILVER LAKE PARTNERS IV, L.P.

Mr. Mooers introduced himself and stated that staff recommends an investment of up to \$400 million in Silver Lake Partners IV, L.P., a buyout and growth investment fund with a target size of \$7.5 billion. The fund will pursue, on a global basis, large-scale private equity investments in companies within the technology, technology-enabled,

and related growth industries and expects to make investments ranging from \$200 million to \$1 billion per transaction. The WSIB has invested in three previous Silver Lake Partners funds. The proposed investment is consistent with the Board-approved 2012 private equity annual plan and model portfolio.

Mr. Mooers described the firm's strong historical performance, reputation, extensive relationship network, sourcing advantage, commitment to increasing resources, global presence, and management transition.

Mr. Augustine, Hamilton Lane, introduced himself and said this represents an opportunity to add capital to a group that has added positive returns. The firm has a heavy focus on information technology and has evolved away from club deals over the last two funds and, therefore, has less overlap with other WSIB partners. Mr. Augustine discussed the firm's experience and reputation in the industry, proprietary deal sourcing, succession plan, and growth.

The Committee discussed increased competition and the firm's ability to continue as a partner of choice due to their experience, track record, focused investment strategy, geographic diversification, and focus, as well as the fit in the WSIB's model portfolio, Asian component, and the potential of club deals.

Mr. Davidson and Mr. Durban, Silver Lake Partners, introduced themselves. Mr. Davidson discussed the firm's history, investment strategy, investment team, global offices, operational expertise, past performance, low use of leverage, and current market conditions and opportunities.

Mr. Durban said the firm has never defaulted and discussed their positive returns, strategy to grow equity, highly differentiated portfolio, proprietary deal flow, and value creation as a specialist in the industry.

Mr. Davidson discussed the firm's focus on growth opportunities in technology.

The Committee discussed the firm's global focus and market conditions in Europe.

Mr. Masten moved that the Private Markets Committee recommend to the Board an investment of up to \$400 million, plus fees and expenses, in Silver Lake Partners IV, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Treasurer McIntire seconded, and the motion carried unanimously.

[The Committee recessed at 12:18 p.m. and reconvened at 12:41 p.m.]
[Mr. Hill was no longer in attendance at 12:18 p.m.]

PRIVATE EQUITY INVESTMENT RECOMMENDATION – ROARK CAPITAL PARTNERS III, L.P.

Ms. Matsumoto introduced herself and stated that staff recommends an investment of up to \$150 million in Roark Capital Partners III, L.P., a North-American middle-market buyout fund with a target size of \$1.25 billion. The fund will invest in the franchising/multi-unit, consumer products and services, environmental services, and

business services sectors. The investments will generally range in size from \$25 million to \$150 million in companies with enterprise values between \$40 million and \$180 million. If approved, Roark would be a new relationship for the WSIB, contributing to the goal to increase the private equity portfolio's exposure to the middle market. The proposed investment is consistent with the Board-approved 2012 private equity annual plan and model portfolio.

Ms. Matsumoto said that although this would be a new relationship for the WSIB, staff has been following Roark for 5 years. She explained that an investment in the fund would give the WSIB's private equity portfolio additional exposure to the middle market sector with minimal overlap with other general partners. Ms. Matsumoto described the firm's performance, history, investment professionals, and experience.

Ms. Blackburn, Hamilton Lane, introduced herself and discussed the firm's rate of growth, management fees and carry, fit in the WSIB private equity portfolio, and unique niche. She said that Hamilton Lane recommended an investment of \$125 million, but is comfortable with an investment of \$150 million.

The Committee discussed turnover in the firm, returns through recapitalizations, operational improvements, and thoughtful investment approach.

Mr. Aronson, Roark Capital Partners, introduced himself and discussed the firm's history, experience, investment strategy and sectors, operational focus, value creation, growth investment focus, low use of leverage, investment and operations teams, proprietary deal flow, historic performance, investment pace, portfolio companies, geographic and sector diversity, and current market conditions.

The Committee discussed the firm's position in the franchise sector, core values, and disciplined investment approach.

Representative Santos moved that the Private Markets Committee recommend to the Board an investment of up to \$150 million, plus fees and expenses, in Roark Capital Partners III, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Mr. Masten seconded.

The Committee discussed the opportunity in light of the benefit to the WSIB's beneficiaries and with a larger perspective from the standpoint of the economy.

The motion carried unanimously.

PRIVATE EQUITY INVESTMENT RECOMMENDATION – TRITON FUND IV, L.P.

Mr. Mooers introduced himself and stated that staff recommends an investment of up to €200 million in Triton Fund IV, L.P., a mid-market buyout fund focused on the German-speaking and Nordic countries, with a target size of €2.4 billion. The fund will invest in and improve the performance of companies in the business services, industrial, and consumer sectors. The WSIB invested in the previous Triton fund. The proposed investment is consistent with the Board-approved 2012 private equity annual plan and model portfolio.

Mr. Mooers described the firm's strong fit in the WSIB's private equity portfolio, strong historical investment performance, increased team size, proactive approach to transaction sourcing, developing Asian relationships, and operational skills. He opined that Triton is well positioned for the current market environment.

Ms. Blackburn, Hamilton Lane, introduced herself and discussed the firm's investment strategy, volatility within the portfolio, value creation, growth, attractive terms, and current market conditions. She said that the firm is well positioned for the market and that Hamilton Lane supports the investment.

Mr. Pahl, Mr. Huth, and Mr. Weston, Triton Partners, introduced themselves and discussed the firm's relationship with the WSIB, investment strategy, experience, expertise, geographic and sector focus, performance, lessons learned from losses, value creation, market conditions, organization, and investment team.

The Committee discussed current European market conditions.

Representative Santos moved that the Private Markets Committee recommend to the Board an investment of up to €200 million, plus fees and expenses, in Triton Fund IV, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Treasurer McIntire seconded, and the motion carried unanimously.

REAL ESTATE INVESTMENT RECOMMENDATION – EVERGREEN REAL ESTATE PARTNERS, LLC

Mr. Draper introduced himself and stated that staff recommends an additional investment of \$500 million in Evergreen Real Estate Partners, LLC. The WSIB has previously committed \$2.5 billion to Evergreen in \$500 million increments since 2004. Mr. Draper stated that staff views Evergreen as a cornerstone of the real estate portfolio. The firm invests in or with real estate operating companies (REOCs), and has invested in 10 companies to date. Three portfolio companies are currently in due diligence on significant transactions, which, if closed, would exceed the Partnership's remaining available equity. The proposed investment is consistent with the Board-approved 2012 real estate annual plan.

Mr. Draper described the firm's quality management, underwriting skills, patient investment process, investment strategy, structure, governance rights, attractive terms and conditions, and exclusivity. He discussed operating risk, non-U.S. exposure, foreign currency risk, and geographic spread.

The Committee discussed investment pacing.

Mr. Humphrey and Mr. Morgan, Courtland Partners, introduced themselves. Mr. Morgan discussed Courtland's extensive due diligence of the proposed investment and stated they support the investment.

Mr. House, Evergreen Investment Advisors, and Mr. Suter, M3 Capital Partners, introduced themselves. Mr. House discussed the firm's structure, current investments, prospective commitments, performance, global presence, investment

platforms and strategy, sector and geographic focus, market timing, select property assets, Asian component, portfolio diversification, investment discipline, market opportunities, and long-term approach.

[Treasurer McIntire was no longer in attendance at 1:50 p.m.]

The Committee discussed European market conditions, relationship with tenants, and improving U.S. residential markets.

Due to a lack of quorum, the Committee was unable to take action. It was the consensus of those Committee members present to forward this item to the Board for approval.

2013 MEETING SCHEDULE

The proposed 2013 meeting schedule was approved by the Committee members present.

PRIVATE MARKETS CLOSING LOG

The Private Markets Closing Log was presented for informational purposes.

OTHER ITEMS

There were no other items to come before the Committee in open session.

EXECUTIVE SESSION DISCUSSION WITH CONSULTANTS

The Chair announced that the Committee would go into executive session to discuss financial and commercial information relating to an investment since public knowledge regarding the discussion would result in loss to the funds managed by the WSIB or would result in private loss to the providers of the information. The executive session was expected to last at least 5 minutes, at which point the Committee would reconvene in open session and adjourn.

[The Committee convened in executive session at 2:28 p.m. and reconvened in open session at 2:33 p.m. and adjourned.]